

ABSTRACT

As one sector that contributes greatly in economic growth, it is fitting manufacturing sector can be optimized by increasing the value of total factor productivity. Compared with other provinces in Java, the output value and the rate of economic growth in most provinces of Central Java is relatively low. In addition to these issues, regional issues that still must be a concern of Central Java provincial government is to improve the performance of the manufacturing sector. By increasing the value of Total Factor Productivity (TFP) is expected industrial sector will be able to create products that are highly competitive.

This study aims to determine the condition and development of processing industries in Central Java, factor - what factors affect the growth of manufacturing sector in Central Java, and to analyze the condition of Total Factor Productivity (TFP), which reflects the technological progress of processing industry in Central Java.

Based on the results of research has been done can be drawn a conclusion that during the period 2004 - 2008, processing industry in Central Java has increased the output by 13.65 percent, the gross value added of 6.5 percent, and able to employ a work force of 694,145 thousand workers. Of the five independent variables in this study, only variables of labor, energy and raw materials that significantly affect the output of processing industries in Central Java, while the variable capital and TFP did not significantly affect the output of processing industries in Central Java. This suggests that the use of factors - factors of production including the existing technology has not achieved as expected. TFP values that do not significantly affect the output of processing industries in Central Java showed that there is no contribution from the mastery of technology in general is still relatively weak.

Keywords: Productivity, Manufacturing Industry, Total Factor Produktivity (TFP)